

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE NOLIN RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR AUTHORITY)	
TO BORROW THE SUM OF \$2,000,000.00 FROM)	CASE NO. 91-252
THE FEDERAL FINANCING BANK OF THE)	
UNITED STATES OF AMERICA, AND THE)	
ADDITIONAL SUM OF \$1,441,000.00 FROM)	
THE RURAL ELECTRIFICATION AUTHORITY,)	
AND THE ADDITIONAL SUM OF \$617,340.00)	
FROM THE NATIONAL RURAL UTILITIES)	
COOPERATIVE FINANCE CORPORATION; AND TO)	
EXECUTE NOTES FOR SAID AMOUNTS)	

O R D E R

IT IS ORDERED that Nolin Rural Electric Cooperative Corporation ("Nolin") shall file an original and six copies of the following information with this Commission, with a copy of all parties of record within 10 days from the date of this Order. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. Provide a copy of the Rural Electrification Administration ("REA") Form 740c.

2. REA Form 740c, Section B - Summary of Amounts and Sources of Financing, contains a subsection entitled "Funds and Materials Available for Facilities." For any amounts Nolin has

listed in this section of the form, provide the following information:

a. Explain how Nolin determined the amount that would be available for the 1990-92 Work Plan.

b. Identify the source of the amounts and any of the conditions and/or terms asked related to these funds. Include all supporting calculations and workpapers used in this determination.

3. Provide a detailed explanation describing what consideration Nolin gave to funding a portion of the 1990-92 Work Plan with internally generated funds, rather than with borrowed funds.

4. Provide a detailed description of any other financing options that were considered in securing the National Rural Utilities Cooperative Finance Corporation ("CFC") loan. This response should include the reason(s) that CFC financing was selected over other options, as well as the results of any studies conducted which support the use of CFC financing.

5. Provide an amortization schedule of the proposed CFC loan using the current rates for variable and fixed loans.

6. Indicate what consideration Nolin has given to the various loan programs available through CFC. If the advance of funds from this proposed loan was to be made by the date of the response to this Order, explain which loan program Nolin would anticipate selecting. Include with this explanation the results of any studies or analysis used by Nolin in making the loan program selection.

7. Provide a detailed description of any other financing options that were considered in securing the Federal Financing

Bank of the United States ("FFB") loan. This response should include the reason(s) that FFB financing was selected over other options, as well as the results of any studies conducted which support the use of FFB financing.

8. Concerning the FFB loan, provide the following information:

a. A description of the nature and organization of the FFB.

b. A copy of the FFB loan application, any FFB loan agreements, and FFB correspondence concerning this loan request.

c. A description of the interest rate programs available from FFB. Indicate the interest rate used in determining the FFB debt service shown in the application.

d. An amortization schedule for the proposed FFB loan reflecting the interest rate assumption used in the application.

9. Provide an explanation of whether Nolin will be able to meet its increased debt service requirements with the revenues generated by its existing rates.

10. Provide a copy of the board of directors' resolution approving the REA, FFB, and CFC loans.

11. Concerning the purchase of the CFC Capital Term Certificate ("Certificate"), provide the following information:

a. The calculations which support the rate for and the amount of Certificate purchases for the proposed loan.

b. Indicate which option Nolin plans to use in the purchase of the required Certificate and explain the reason for the selection of this option.

12. Provide documentation which indicates that the loans have been approved by REA, FFB, and CFC.

13. Concerning the actual work performed under the 1990-92 Work Plan, provide the following information:

a. Indicate when Nolin began construction under the 1990-92 Work Plan.

b. Identify how much Nolin has spent on the 1990-92 Work Plan, as of the date of its response to this Order.

c. If construction under the 1990-92 Work Plan has already begun, explain in detail why Nolin did not seek a Certificate of Convenience and Necessity before the work began, as required under KRS 278.020.

14. The Commission is aware that changes have been made in the REA loan program. Nolin has indicated that it is requesting a loan from REA for \$1,441,000, which represents approximately 36 percent of the total financing needs for the 1990-92 Work Plan. Provide the following information:

a. A thorough discussion of the current status of the REA loan program and the impact the recent changes in the REA loan program have had on the current loan application of Nolin. Include copies of any notices or correspondence received from REA concerning the changes in the loan program.

b. A copy of the REA mortgage agreement, identifying all areas which have changed due to the changes in the REA loan program.

c. Indicate Nolin's ranking on REA's Means Test. Also, indicate how much of the total current financing Nolin was eligible to seek from REA.

15. The application shows that 36 percent of the total loans of \$4,058,340 comes from REA, 49 percent from FFB, and 15 percent from CFC. Provide a detailed explanation of how this financing mix was determined.

Done at Frankfort, Kentucky, this 26th day of September, 1991.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director